

## TRANSMITTAL SLIP

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FROM

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FORM NO. 241  
1 FEB 55REPLACES FORM 36-8  
WHICH MAY BE USED.

(47)

**UNITED STATES CIVIL SERVICE COMMISSION  
BUREAU OF RETIREMENT AND INSURANCE  
WASHINGTON, D.C. 20415**

IN REPLY PLEASE REFER TO

RY: JWS: E1

April 20, 1967

YOUR REFERENCE

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[ ] President  
Government Employees Health Assn., Inc.  
Post Office Box 463  
Washington, D.C. 20044

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Dear [ ]

This letter is our annual reminder to all carriers participating in the Federal Employees Health Benefits Program concerning the submission of rate and benefit proposals for the contract term beginning January 1, 1968.

1. DEADLINE DATES FOR PROPOSALS

In accordance with the health benefit regulations the last day for submitting proposals for changes in benefits is June 30, 1967; for changes in subscription charges, August 31, 1967. No extension beyond these dates can be granted and we cannot consider until January 1, 1968 any proposals received after the deadline dates.

We would appreciate your firm proposals as soon as you can possibly submit them, leaving the deadline dates for necessary last minute changes. Please also let us know as early as possible if you do not expect to propose any changes.

2. OPEN SEASON

The Commission has decided that there will be no open season this year. We can give no assurances as to whether there will or will not be one in 1968. We have no present intention of scheduling an open season early in the year, although circumstances now unforeseen could require a change in this planning.

3. DISTRIBUTION OF BROCHURES

Brochures will not be revised for 1968 unless a plan has rate changes or significant benefit changes. There will be no general distribution of revised brochures such as is done during open seasons. Our present plans are that employees and annuitants will be notified of

changes in rates and significant changes in benefits by general distribution of a revision of the informational pamphlet, BRI 41-117. Brochures that are revised will be distributed to agencies so they will have on hand up-to-date brochures of all plans for new employees and other employees who request them.

#### 4. CHANGES IN BENEFITS

Proposals for changes in benefits should be submitted in duplicate. Proposed changes should be specifically described and be in proper form for inclusion in your brochure. We would appreciate your sending a marked-up current brochure showing what revisions you believe are necessary to reflect proposed changes as well as to correct or clarify present brochure wording.

In the absence of an open season, we prefer that proposals for changes in benefits for 1968 be confined to perfecting changes. We do not favor reductions in benefits when there is no open-season opportunity to change plans; nor do we favor increases in benefits which entail additional premiums. (The one exception: we expect plans which have not yet sufficiently improved benefits for mental illness so that they substantially conform with the minimums specified by the National Institute of Mental Health, to do so for 1968.)

We know that you share the general concern about the serious problem of rapidly increasing costs of medical care. Plans participating in the Federal employee program will want to, in fact will be expected to, demonstrate what health insurance plans can do to help slow down the rate of future increases. We urge all carriers to carefully review their plans to see what benefit changes they might propose to reduce costs, without impairing the protection of subscribers. Proposed benefit changes for this purpose will be considered perfecting changes.

Health insurance plans can make a major contribution by broadening coverage to include and encourage alternatives to more costly medical care, especially alternatives to expensive hospital inpatient care. For example, some plans still provide more benefits for certain services when performed for a hospital inpatient than when they are performed in the hospital outpatient department or doctor's office. This provides a strong incentive for the patient to be hospitalized for tests and treatment rather than utilize less costly out-of-hospital services. These inducements toward inpatient care should be eliminated or minimized to the fullest possible extent.

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Another example is the pre-admission testing program (P.A.T.) now being used in some hospitals. P.A.T. is designed to eliminate cost of hospital "hotel services", i.e. board and room charges, while the patient is undergoing diagnostic work-ups, laboratory tests, etc. A patient scheduled for admission reports for and takes the tests prior to his actual admission as an inpatient. Plans can encourage such an alternative by covering these preadmission tests the same as if they were rendered on an inpatient basis.

Consideration should also be given to other alternatives to hospital care, such as coverage of facilities for convalescent care and home health care services.

At this time we are not making any specific proposals for benefit changes, other than upgrading benefits for mental illness where appropriate, although we do reserve the right to later propose changes to you. We ask, however, that you give serious consideration and study to what your plan can do to foster efficient utilization of medical care, submit any proposal for changes that you think will be of help, and give us the benefit of your thinking on how your plan and the Federal employee program as a whole can contribute to the alleviation of the overall problem of sharply rising costs.

##### 5. CHANGES IN SUBSCRIPTION CHARGES

Although final proposals for rate changes are not due until August 31, 1967, if you know that increases are necessary we ask that you submit tentative proposals with presently available justification on or before June 30. This will give us more time to review your needs and still leave you free to revise your proposals any time up to August 31.

Justification of an increase for experience-rated plans should be based on and accompanied by a two-year forecast similar to those used in the past.

Increases in premium rates are especially unpalatable to employees when they are "locked in". In the absence of an open season, we suggest you limit proposals for increases this year to the absolute minimum necessary to maintain (or achieve) a sound financial position for your plan throughout 1968.

Please submit proposals for changes in subscription charges as bi-weekly net-to-carrier contract rates, not brochure rates. We will compute the brochure rates from the contract rates.

Sincerely yours,

*Andrew E. Ruddock*

Andrew E. Ruddock  
Director